

## Message Text

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SUBJ: GOG BUDGET FOR 1977

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SUMMARY: CLOSER LOOK AT 1977 GOG BUDGET REVEALS NEW DEVELOPMENT EXPENDITURES WILL ACTUALLY DROP SLIGHTLY FROM 1976 LEVEL, WITH NOMINAL INCREASE IN DEVELOPMENT BUDGET DEVOTED ENTIRELY TO DEBT SERVICE. LARGE PART OF INCREASE IN OPERATIONS BUDGET WILL EVIDENTLY BE ABSORBED BY CIVIL SERVICE SALARY BOOSTS, THOUGH THESE HAVE NOT BEEN ANNOUNCED. END SUMMARY.

1. WHILE BUDGET NOT YET OFFICIALLY RELEASED, QUICK LOOK AT BORROWED COPY REVEALED TWO ITEMS OF PARTICULAR INTEREST NOT EVIDENT FROM PRESS REPORTS: (A) EXTENT TO WHICH DEVELOPMENT BUDGET IS ABSORBED BY DEBT SERVICE, AND (B) EVIDENT INTENTION TO OFFER CIVIL SERVANTS SUBSTANTIAL WAGE BOOST IN COMING YEAR.

2. DEVELOPMENT AND DEBT SERVICE: AS REPORTED REFTTEL, GOG PROUDLY ANNOUNCED THAT 1977 DEVELOPMENT BUDGET WILL RISE ROUGHLY \$148 MILLION OVER 1976 LEVEL (CONVERTING AT LIMITED OFFICIAL USE

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250 CFA EQUAL ONE DOLLAR), GROWTH OF 27.39 PERCENT. SAME COMMUNIQUE ALSO NOTED RISE IN PUBLIC DEBT SERVICE TO ABOUT \$270 MILLION, BUT DREW NO RELATIONSHIP BETWEEN TWO FIGURES.

3. ON CLOSER EXAMINATION, TOTAL DEBT SERVICE FIGURE PRO-

JECTED IN BUDGET IS ACTUALLY CLOSER TO \$300 MILLION, DIVIDED INTO THREE CATEGORIES: (A) \$30 MILLION UNDER OPERATIONS BUDGET, EVIDENTLY ALL FOR EXTERNAL DEBT SERVICE, LARGELY COVERING PURCHASES OF CIVIL AND MILITARY AIRCRAFT AND SMALL AMOUNT OF OTHER MILITARY MATERIAL; (B) \$190 MILLION UNDER DEVELOPMENT BUDGET, OF WHICH \$160 MILLION IS FOR SERVICE OF EXTERNAL DEBT (DIVIDED TWO-THIRDS FOR SERVICE OF LOANS AND ONE-THIRD FOR PROMISSORY NOTES); AND (C) \$80 MILLION UNDER "ADMINISTRATIVE EQUIPMENT" BUDGET, OF WHICH \$51 MILLION IS FOR SERVICE OF EXTERNAL DEBT (\$12 MILLION FOR LOANS AND BALANCE FOR "PREFINANCED WORK"), COVERING CONSTRUCTION COSTS ON BUILDINGS FROM UNIVERSITY TO PRESIDENTIAL PALACE. THUS, TOTAL DEBT SERVICE BUDGETED ON EXTERNAL DEBT IS ROUGHLY \$241 MILLION, WITH BALANCE FOR INTERNAL OBLIGATIONS. OF FORMER AMOUNT, \$147 MILLION REPRESENTS DEBT SERVICE ON LOANS, DIVIDED ABOUT EQUALLY BETWEEN PRINCIPAL AND INTEREST, AND REMAINDER COVERS PROMISSORY NOTES.

4. UNDER HEADING OF DEVELOPMENT BUDGET, \$190 MILLION IN DEBT SERVICE IS ROUGHLY EQUAL TO \$197 MILLION PROJECTED FOR NEW DEVELOPMENT EXPENDITURES EXCLUSIVE OF TRANSGABON RAILROAD (WHICH GETS SEPARATE ALLOCATION OF \$116 MILLION), SHARP CHANGE FROM 1976 BUDGET WHERE NEW EXPENDITURES OTHER THAN RAILROAD WERE DOUBLE DEBT SERVICE. IMPACT OF LATTER PARTICULARLY EVIDENT IN FACT THAT NEW DEVELOPMENT EXPENDITURES ACTUALLY DROP FROM \$213 MILLION TO \$197 MILLION, WHEREAS SUBSTANTIAL INCREASE WOULD BE NEEDED MERELY TO KEEP PACE WITH INFLATION. THUS, BUDGET IN FACT REFLECTS TO SOME EXTENT PRESIDENT'S PROMISES IN COURSE OF LIMITED OFFICIAL USE

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PAST YEAR TO COOL OFF DEVELOPMENT BOOM IN WAKE OF OAU SUMMIT AND TO THROTTLE BACK ON NEW PROJECTS.

5. DESPITE THIS ELEMENT OF RESTRAINT, PROJECTED LEVEL OF NEW EXPENDITURES STILL HIGH ENOUGH TO REQUIRE ANTICIPATED \$128 MILLION IN NEW BORROWINGS DURING 1977. THIS AMOUNT IS SHOWN UNDER "REVENUES" SECTION OF BUDGET AS "EXTRAORDINARY RESOURCES," WHICH MINFINANCE HAS CONFIRMED IS EUPHEMISM FOR LOANS. ACTUAL AMOUNT REQUIRED MAY BE SOMEWHAT BELOW FIGURE SHOWN, HOWEVER, AS (A) SEVERAL SOURCES REPORT THAT REVENUE PROJECTIONS ARE UNIFORMLY CONSERVATIVE AND ACTUAL RECEIPTS ARE THUS LIKELY TO COVER GREATER PORTION OF EXPENDITURES THAN BUDGET DOCUMENT INDICATES, AND (B) NOT ALL 1977 DEVELOPMENT GOALS WILL BE ACHIEVED IN ONE-YEAR TIME FRAME PROJECTED.

6. OPERATIONS BUDGET: SECOND SURPRISE OF BUDGET IS PROVISION FOR EVIDENTLY SUBSTANTIAL SALARY INCREASES FOR

GOG CIVIL SERVANTS AND MILITARY. WHILE NO ANNOUNCEMENT TO THIS EFFECT ACCOMPANIED PRESENTATION OF BUDGET TO NATIONAL ASSEMBLY OR TO GABONESE PUBLIC, AMOUNTS ALLOTTED TO VARIOUS MINISTRIES UNDER "SALARY" HEADINGS ALLOW FOR AVERAGE BOOST OF ONE-THIRD IN WAGES OF GOVERNMENT PERSONNEL. SINCE SALARIES REPRESENT 54 PERCENT OF OPERATIONS BUDGET, SHARP INCREASE UNDER THIS HEADING ACCOUNTS FOR GREATEST PART OF RISE FROM 1976 TO 1977 IN THIS PORTION OF TOTAL BUDGET.

7. APART FROM ANTICIPATED SALARY BOOSTS GOG IS EVIDENTLY SEEKING TO HOLD LINE ON EXPANSION OF GOVERNMENT BUREAUCRACY. ONLY SUBSTANTIAL INCREASES PROJECTED IN NUMBERS OF PERSONNEL ARE IN POLICE (400), GENDARMERIE (860), ARMED FORCES (220), EDUCATION (410), CUSTOMS AND PRICE CONTROL (115) AND RADIO-TV (50), WITH OTHER CIVIL MINISTRIES HOLDING RELATIVELY CONSTANT IN TOTAL EMPLOYMENT. STEIGMAN

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